

In-Store Education at Diamond Jewelry Retailers is a Key Driver of Customer Experience and Purchase Intent.



A CXG Report

About the Authors



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Table of Contents

1	Executive Summary	4
<hr/>		
2	Introduction	5
<hr/>		
3	Methodology	6
<hr/>		
4	The importance of customer education	7
<hr/>		
5	Is Merchandising supporting customer education?	9
<hr/>		
6	Are Sales Advisors the experts they are expected to be?	10
<hr/>		
7	Messaging - the power of words	12
	A. Do Advisors have a balanced narrative?	
	B. How are NDs described? What are the arguments used?	
	C. Does sourcing and traceability feature in the Advisors' speech?	
<hr/>		
8	Conclusion	15

1- Executive Summary

CXG recently conducted a study across national, regional, and exclusive retailers to **uncover how natural diamonds (NDs) and laboratory-grown diamonds (LGDs) are presented in retail settings**. We analyzed how the store environment, merchandising, and interactions with the Sales Advisors contribute to the customer's education, experience, and confidence to purchase.

CXG's findings show a strong correlation between feeling educated and having confidence in the purchase (93%). Although less than 50% of customers consider the merchandising set-up adequate in delineating differences between laboratory-grown diamonds and natural diamonds, 78% feel more confident and educated post-store visit. These [diverging] numbers highlight the influence of the sales advisor's role and the educational opportunity of the interaction. Although most customers perceive overall messaging as clear and delivered in a positive or neutral tone, only half of customers perceived the definition of natural diamonds as clear. Furthermore, it is of concern that sales advisors show little proactivity in explaining differences between LGDs and NDs, use a comparative narrative, and show lack of knowledge in using ethical, provenance, and traceability arguments. In fact, only in 6% of cases was knowledge shared on the ethical and provenance arguments of natural diamonds. As such, they effectively engage in an unbalanced narrative. This, however, presents a significant opportunity to better educate the customer comprehensively and transparently which in turn will augment confidence and purchase intent.

- The study outlined that when **feeling educated**, customers perceived their **experience as positive** (93%) and felt more **confident to purchase** (93%).
- The data showed that **only one third** of customers (35%) found that **the store layout** differentiated NDs from LGDs.
- Yet, close to half of the customers felt educated after their store visits and more confident about buying. This confirms that, notwithstanding the merchandising, **the role of the Sales Advisors and the opportunity to educate customers is paramount**.
- The **lack of proactive education** from Sales Advisors (about **40%** of the interactions) represents a missed opportunity, impacting conversion.
- Overall messaging provides moderate **clarity on the definition** of both NDs and LGDs (51% for NDs and 57% for LGDs). Similarly, the descriptions were **mostly positive or neutral for both** NDs and LGDs. **Roughly only half the customers** felt that their Sales Advisors **did not show any preference** for either type of diamond.
- The content of the speech **seems factual** for both NDs and LGDs. However, it is limited on **ethical considerations** as selling points for NDs (6% only) and on **provenance and traceability** for both NDs and LGDs. This highlights an opportunity to invest in better Sales Advisor training.



2- Introduction

Natural diamonds (“NDs”) are one of luxury’s most resonating iconic products as they are imbued with qualities like uniqueness, rarity, craftsmanship, and tradition. They represent some of nature’s most spellbinding formations, created over billions of years by naturally subjecting carbon deposits to high pressure deep in the earth. Their genesis explains, in part, their desirability. Their supply is limited, and each natural diamond is also, by definition, unique. Throughout history, natural diamonds have represented status and have been the iconic gift of romance. This explains why natural diamonds are viewed as the ultimate luxury product sold at price points that reflect their uniqueness, rarity, and inherent value.

Laboratory-grown diamonds (“LGDs”), which have risen in popularity over the last few years, are diamonds created through an identical carbon pressure process in factories, simulating the natural process. Because they are man-made, their supply is in theory

infinite, and they can be manufactured to scale, thus losing qualities of uniqueness.

Laboratory-grown diamonds experienced downward price pressure between 2016 and 2022, with retail prices falling by more than 70%. In contrast, natural diamonds, have retained their value or even increased in price over recent years. Simply put, laboratory-grown diamonds, while being identical in terms of their physical and chemical composition to natural diamonds, have shown markedly different price trends in recent years.

In the context of these significant differences between NDs and LGDs, as well as the rapid divergence of their respective price points, retailers must make sure that customers understand all aspects of these two products. This includes understanding their individual value propositions, both in terms of technical factors and more intangible considerations.

The purpose of this study by CXG was to gain a deeper understanding of how consumers’ perceptions of NDs versus LGDs are influenced by the quality of the retail experience, including in-store merchandising, Sales Advisors’ speech and level of expertise, and how this ultimately affects and correlates to consumers’ propensity to make purchases in these respective categories.



3- Methodology

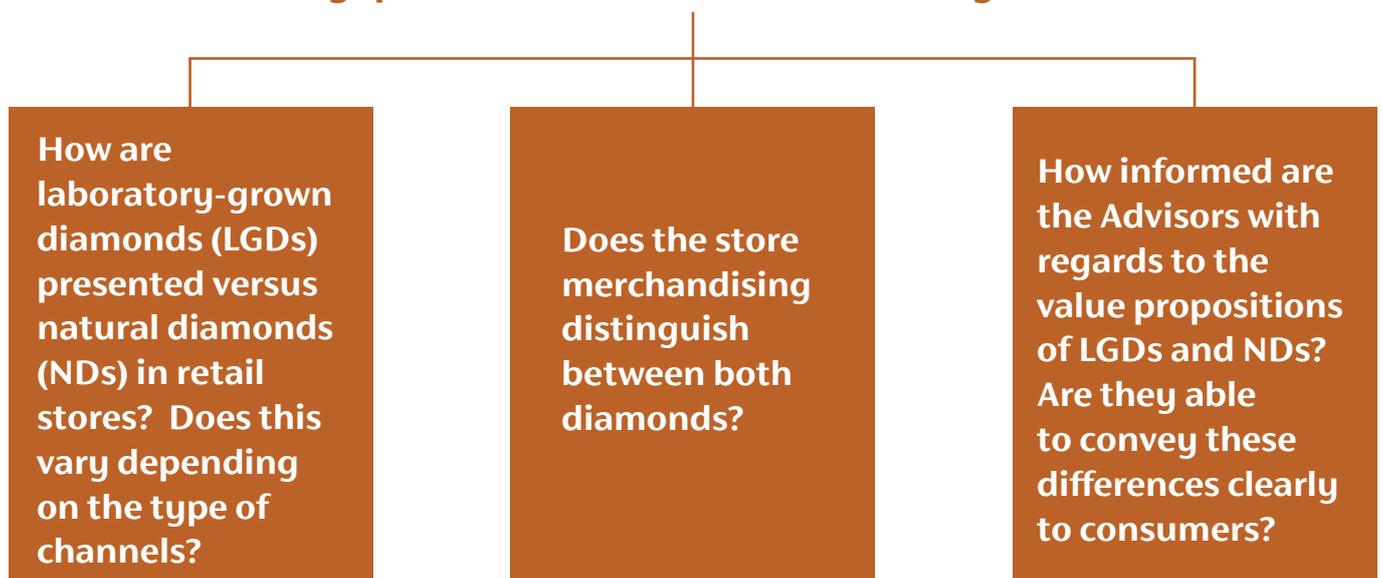
The methodology used evaluators who conducted store visits and assessed their experience through a survey following these visits. The study comprised a total of 89 evaluations within non-exclusive retail channels (selling both LGDs and NDs) between December 2022 and January 2023:

- 55 evaluations in US National stores, selling both LGDs and NDs
- 34 evaluations in US Regional stores, selling both LGDs and NDs

The evaluators' demographic profile comprised roughly 1/3 male, 1/3 female, and 1/3 couples aged between 25 and 30 years. The study also conducted 27 evaluations in the exclusive channel, i.e., only selling LGDs.

The evaluators were asked to inquire about an engagement ring within the \$6,000 price range, except for the exclusive channel, where the price points for a typical diamond ring are much lower. They were also asked to assess the quality of the retail environment and their interaction with the Advisors.

The key questions addressed in this study included:





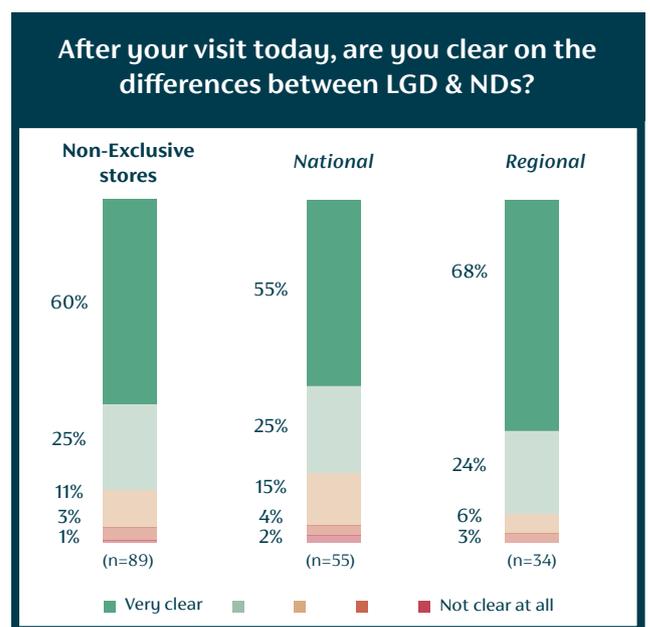
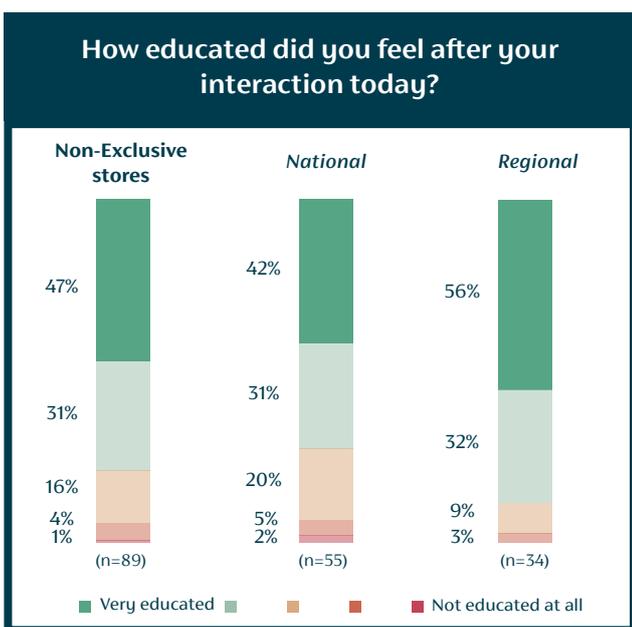
4- The importance of customer education

The findings of the study highlight that a positive experience and feeling educated are intertwined and contribute to the customers' confidence in their purchase decision. 93% of customers who felt very educated also felt confident about purchasing. In contrast, among customers who did not feel educated, only 37% described their experience as positive and fewer than 16% felt confident about purchasing.

In 47% of cases, the sense of feeling very educated is a consequence of the customer's

visit to the store and their interaction with the Advisor. In 60% of cases, it is the store visit that clearly helped them understand the differences between NDs and LGDs, illustrating the importance of retail experience in diamond education.

A positive retail experience is a combination of the store environment and a positive interaction with Advisors. In a non-branded retail environment, we explored how they independently contributed to the customers' education and confidence to purchase.



Customers felt overall educated and clearer on the differences between NDs and LGDs after their visit at the store and interaction with Sales Advisors

How educated did you feel after your interaction today?

Does not feel educated after the interaction

"Not educated at all" + "Not educated" + Neutral*
(n= 19)



37%
Had a positive overall experience

"Excellent" + "Good"
(n=7)

16%
Feels Confident to purchase

"Very confident" + "Confident"
(n=3)

Feels educated after the interaction

"Very educated" + "Educated"
(n=70)



93%
Had a positive overall experience

"Excellent" + "Good"
(n=65)

93%
Feels Confident to purchase

"Very confident" + "Confident"
(n=65)

Feeling educated correlates with having a positive experience and confidence in purchasing a diamond





5- Is Visual Merchandising supporting customer education?

The study underlined how store merchandising, instead of facilitating an intuitive understanding of both diamonds, contributes to a lack of clarity for consumers and may even create confusion.

Roughly only a third of customers (36%) found that the store layout or signage helped to clearly distinguish or understand the difference between both diamonds.

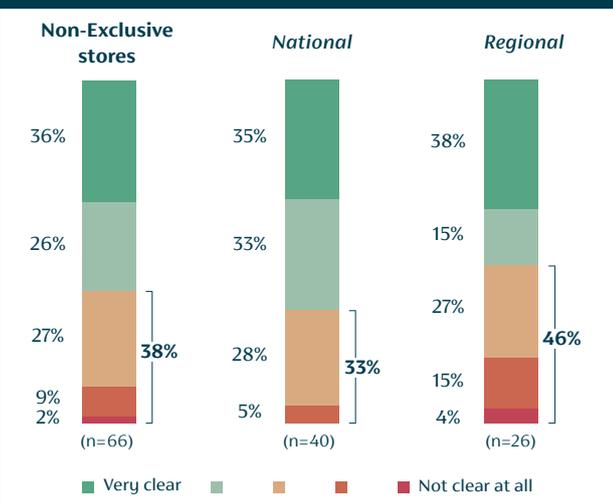
When displayed, tags represented the only form of signage (in 65% of instances), and these were usually inconsistently placed inside or on top of the jewelry case. As rings are generally presented without their cases, the lack of visible tags does not help the

customers' understanding and can in fact create more confusion.

Still, customers felt more educated after their store visits and more confident to purchase, confirming that, notwithstanding the merchandising, **the role of the Sales Advisors in educating customers is paramount.**

Findings from the Exclusive Channels corroborate this insight. In a setting that sells LGDs exclusively and hence does not require visual distinction, only 22% of customers perceived the Advisors as experts and as a result, only 44% of customers felt educated and fewer than 34% felt confident to purchase.

How clear did you find these signages were to distinguish the type of diamond?



What was this signage for NDs?

(non-exclusive stores, n=66)

“NATURAL DIAMOND”
(61%)

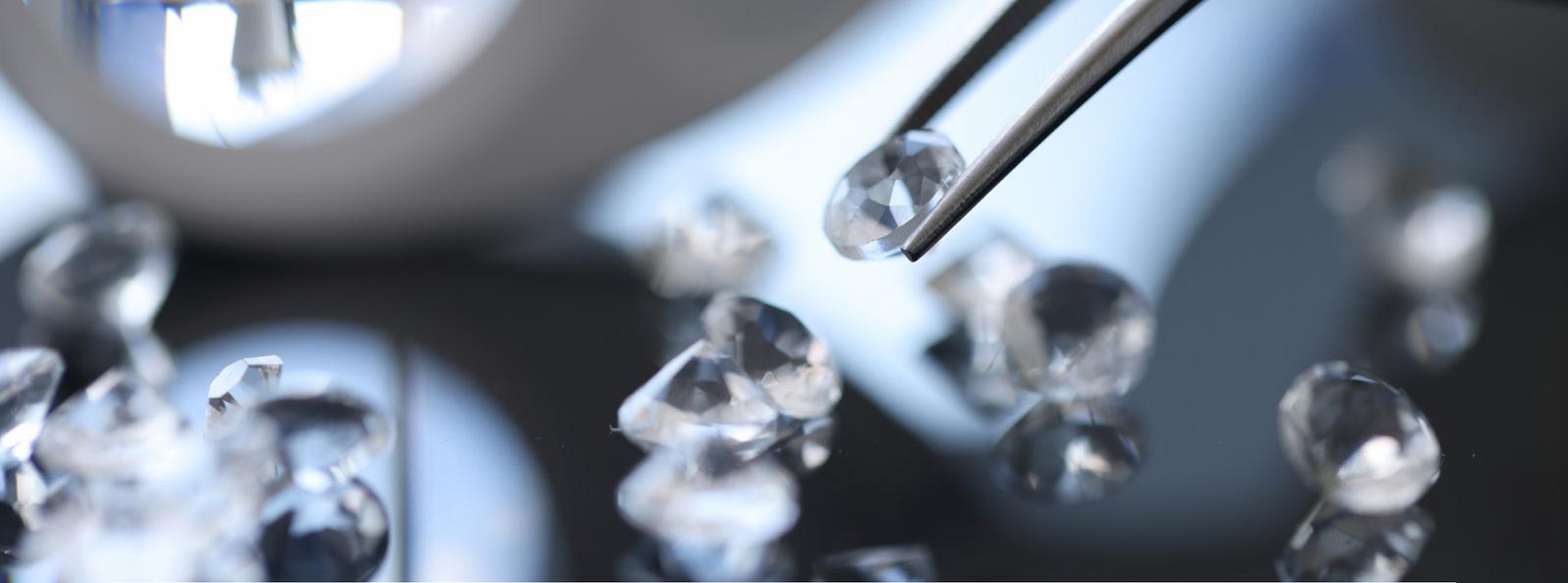
What was this signage for LGDs?

(non-exclusive stores, n=66)

“LAB-GROWN DIAMOND”
(59%)

“LAB-CREATED DIAMOND”
(26%)

Even with signage present, the distinction between LGDs and NDs is not always clear



6- Are Sales Advisors the experts they are expected to be?

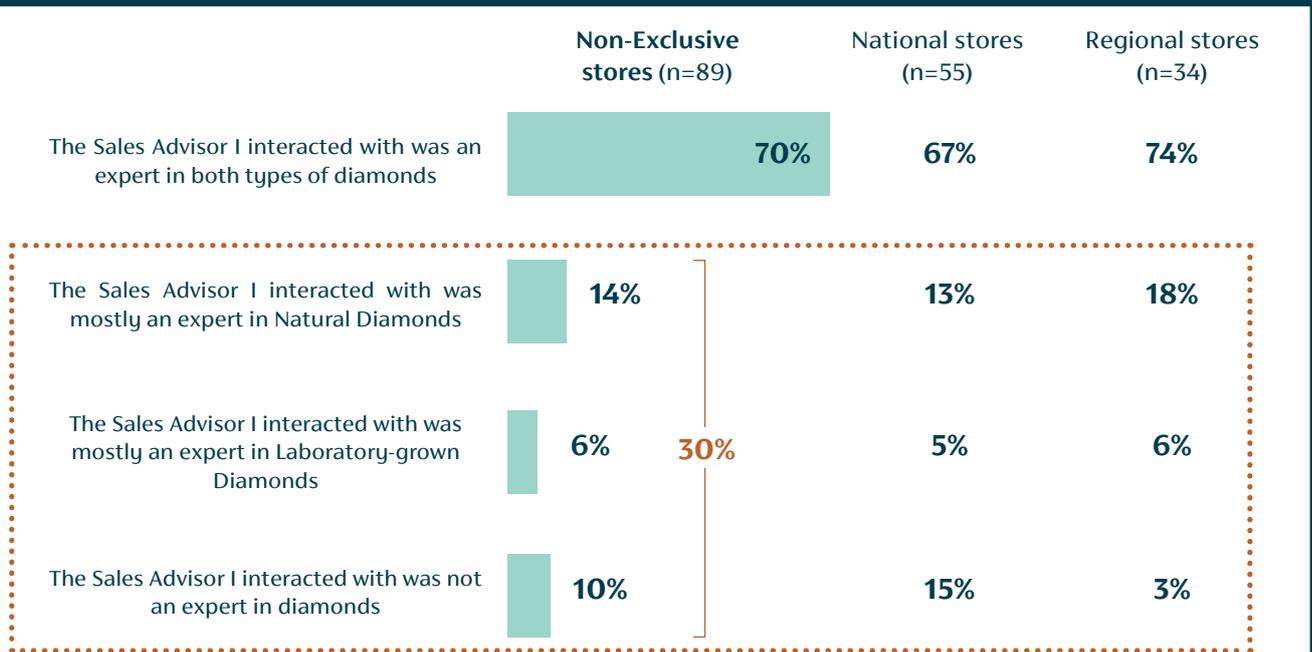
Considering the inherent complexity of diamonds and the importance for customers to feel educated, the expertise of the Sales Advisors is critical. Our data shows that after the lack of clarity they experienced with the store layout and merchandising, 70% of customers found Sales Advisors in non-exclusive channels equally expert in both diamonds.

However, when customers continued to ask specific questions on one or the other type

of diamond, the responses from the advisors were perceived as inadequate because of the lack of in-depth knowledge.

In addition, Sales Advisors were not always proactive in showcasing this expertise. The study found that when introducing engagement rings, Sales Advisors often presented multiple options, which typically include a mix of ND and LGD rings. They do not, however, proactively define NDs/LGDs to educate customers in up to 42% of the cases.

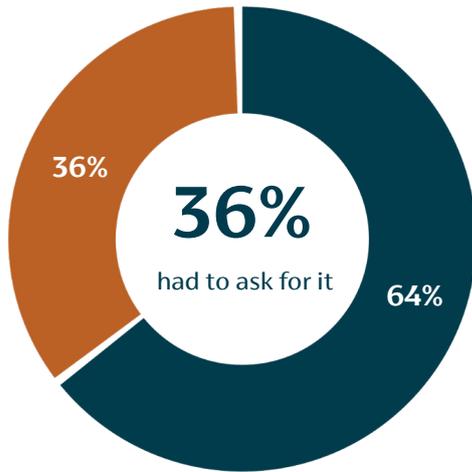
What would you say about the Sales Advisors diamond expertise?



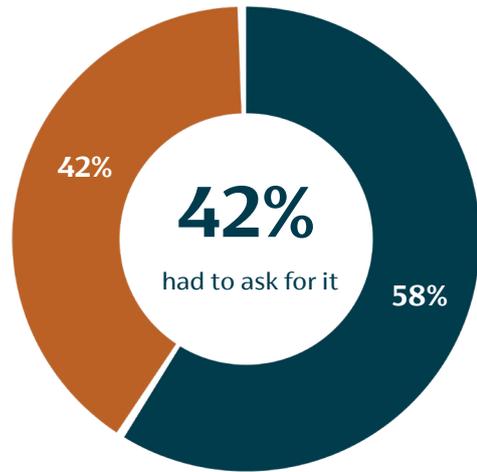
When we examine the interaction with the Sales Advisors, we would expect them to be more Expert than they appear to be

Was a definition of Natural Diamond (ND) given to you?

Was a definition of Laboratory-grown Diamond (LGD) given to you?



(n=89)



(n=89)

- Yes, spontaneously done by the Sales Associate
- Yes, but I had to ask for it

This starts with being able to spontaneously and proactively share one's enthusiasm for each diamond category, which is not done consistently





7- Messaging - the power of words

A- Do Sales Advisors have a balanced narrative?

52% of customers felt that their Sales Advisors did not show any preference for either type of diamond and that the way they introduced the diamonds was positive in most cases, or at least neutral. However, the other half demonstrated bias which may mislead the customer. This inconsistency of narrative can be addressed by better educating the sales advisors.

Customers have clarity around the definition of NDs and LGDs.

Among the Sales Advisors whose preference is not neutral, the bias appears to be roughly balanced between the two diamond types.

B- How are NDs described? What are the arguments used?

Overall, it was found that more information and descriptive content was shared about LGDs than NDs. On average, 3.4 descriptors were shared in connection with NDs versus 4.1 for LGDs.

As we look more closely at the specifics of the descriptors and arguments given, the following common tangible characteristics stand out for NDs:

Top 3 technical descriptors:

- scarcity
- uniqueness
- ability to hold value over time or even appreciate

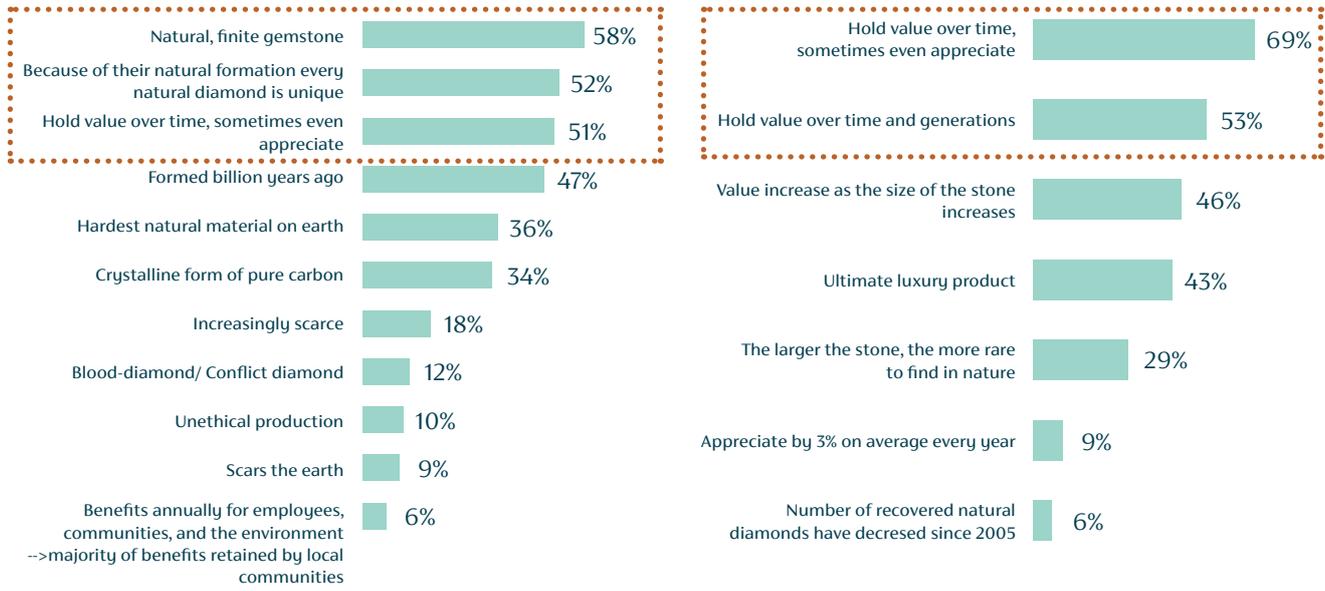
Top 2 value arguments:

- ability to hold value over time or even appreciate
- generational lasting power

What description was given to you by the Sales Associate about NDs?

What arguments did the Sales Associate use to talk about the value of NDs?

(Non-Exclusive stores, n=89)

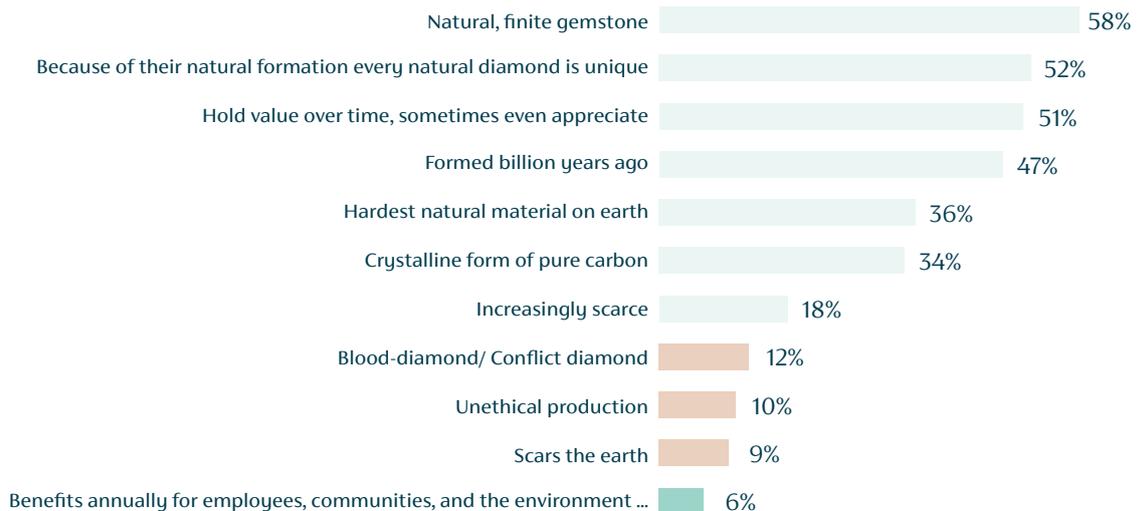


Arguments given about NDs revolved mostly around its uniqueness, scarcity and investment value

The mention of positive ethical values of NDs is limited to only 6% of the interactions, mainly quoting benefits for communities and employment. This presents an opportunity

for Sales Advisors to better educate the consumer about the ethical considerations of NDs by including those related to eco-friendly practices, and conflict-free origin.

What description was given to you by the Sales Associate about NDs?



6% quoted a positive ethical argument for NDs

Positive Ethical Arguments are only very rarely discussed for NDs

C- Does sourcing and traceability feature in the Sales Advisors' speech?

Regarding provenance, the Sales Advisors' knowledge generally seems limited. On a more granular level, when customers inquire about the provenance of the diamonds, the responses tend to be vague. Knowledge related to origin, traceability and sourcing of diamonds was poor. Less than 30% of evaluators indicated that Sales Advisors gave specific and accurate responses, providing instead vague statements such as “the earth

and mines” for NDs or “man-made” in the case of LGDs. There was usually very little information provided regarding the origin of the diamonds, whether it was geographic in the case of NDs or production-specific in the case of LGDs.

This lack of knowledge or possibly lack of effort in educating customers adequately on environmental/ethical considerations impacts the purchase intent opportunity for NDs.





8- Conclusion

A thorough education of consumers is necessary for every industry. It is even more crucial when the product in question is as inherently complex and significant as a diamond. There is a strong link between a positive experience, feeling educated and purchase intent. Our data at CXG shows that the difference between a good experience versus a merely memorable one can translate into a difference in purchase intent of up to 10 times!

Given this context, diamond retailers could consider the following measures:

A- Improving merchandising. The store environment and general visual merchandising need to improve to help customers form a distinctive understanding between LGDs and NDs. Starting the customer experience journey off on the right footing by setting a visual stage and creating a corresponding ambiance is an obvious opportunity to showcase distinctions between NDs and LGDs and thus support clarity and confidence with purchase decisions.

B- Encouraging Proactivity during the sales interaction. A spontaneous approach in educating customers as opposed to reactive engagement with the clients is crucial in strengthening a feeling of confidence in the Sales Advisors expertise. This is particularly true when selections include both NDs and LGDs. Sales Advisors should be trained to proactively highlight differences between

these two types of diamonds while guiding customers through the education process.

C- Promoting factual completeness. Include the mention and explanation of ethical and ecological considerations, as well as details on provenance and traceability for **both NDs and LGDs**. The factual descriptions can be even more powerful when used to strengthen customers' desires. Even provenance and ethical impact can have inspirational value when a customer is considering such a milestone purchase.

D- Creating emotional resonance with the product. Factual descriptions alone are not enough to create a memorable customer experience. Inspiring the customer and building a connection are also vitally important. Building a connection includes awareness of the customers' specific needs and appropriate responses. Inspiration and emotional resonance translate into the use of selling points that appeal on an emotional level; there should be awareness around the fact that diamonds especially have symbolic and psychological meaning.

E- Training materials and printed information should be reflective of all selling points. Details, facts and arguments that speak to all selling points for both NDs and LGDs should also be included in training materials and printed information for customers and Sales Advisors as reference points.



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